

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Lake Angelus	County Oakland
Fiscal Year End June 30, 2007	Opinion Date October 24, 2007	Date Audit Report Submitted to State December 11, 2007	

We affirm that:

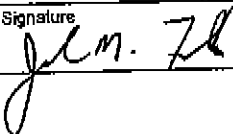
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Janz & Knight, PLC		Telephone Number 248-646-9666		
Street Address 300 East Long Lake Road, Suite 360		City Bloomfield Hills	State MI	Zip 48304-2377
Authorizing CPA Signature 		Printed Name John M. Foster		License Number 1101016537

CITY OF LAKE ANGELUS
OAKLAND COUNTY, MICHIGAN

Report on Audit of Accounts

June 30, 2007

CITY OF LAKE ANGELUS
OAKLAND COUNTY, MICHIGAN
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JANZ & KNIGHT, P.L.C.

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50
YEARS
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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The City Council
City of Lake Angelus
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Lake Angelus, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lake Angelus, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Angelus, Michigan, as of June 30, 2007 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

October 24, 2007

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lake Angelus's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$2,420,885 at the close of the year ended June 30, 2007. This represents an increase of \$110,521 or a 4.8% increase from a year ago.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2007 and 2006:

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
ASSETS		
Current and other assets	\$ 947,453	\$ 810,189
Capital assets	<u>1,497,650</u>	<u>1,528,479</u>
Total assets	<u>\$2,445,103</u>	<u>\$2,338,668</u>
LIABILITIES AND NET ASSETS		
Current and other liabilities	\$ 24,218	\$ 28,304
Net assets:		
Invested in capital assets	1,497,650	1,528,479
Restricted	177,982	165,738
Unrestricted	<u>745,253</u>	<u>616,147</u>
Total net assets	<u>\$2,420,885</u>	<u>\$2,310,364</u>
Total liabilities and net assets	<u>\$2,445,103</u>	<u>\$2,338,668</u>

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$178,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2007

The following table shows the changes in net assets for the years ended June 30, 2007 and 2006:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Program Revenue:		
Charges for services	\$ 24,201	\$ 16,893
Operating grants and contributions	15,321	19,434
General Revenue:		
Property taxes	646,761	623,814
State shared revenue	25,918	25,674
Interest income	38,092	27,989
Franchise fees	7,008	3,621
Miscellaneous	1,563	202
Consent judgment	22,203	21,432
Sale of fixed assets	<u>(1,929)</u>	<u>1,500</u>
Total revenue	\$ 779,138	\$ 740,559
Program Expenses:		
General government	163,417	188,717
Public safety	490,801	473,055
Public works	5,740	7,717
Recreation and culture	8,471	35,515
Community and economic development	<u>188</u>	<u>3,256</u>
Total program expenses	\$ 668,617	\$ 708,260
Increase (decrease) in net assets	\$ 110,521	\$ 32,299
Net assets - beginning of year	<u>2,310,364</u>	<u>2,278,065</u>
Net assets - end of year	<u>\$2,420,885</u>	<u>\$2,310,364</u>

As shown in the above table total revenues were approximately \$779,000, of which 83% was obtained from property taxes and 3% from state shared revenue. Total expenses were approximately \$669,000, of which 74% of the City's expenses related to public safety and public works.

The City Funds

The analysis of the City's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2007 include the General Fund, Major Road Fund, Local Road Fund and the Improvement Revolving Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$764,000. Of this revenue, state-shared revenue accounted for 3% and property taxes 85% of the total revenue. Total expenditures for the year were approximately \$638,000. Of these expenditures, public safety accounted for 73% and capital outlay accounted for 2% of the total expenditures. At June 30, 2007 the unreserved fund balance of \$643,276 represented 101% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at year end was approximately \$67,000.

The Local Road Fund accounts for the repairs, maintenance and construction of all City local streets. The fund balance of this fund at year end was approximately \$27,000.

The Improvement Revolving Fund is used to account for money advanced for future capital and emergency needs of the City. The fund balance of this fund at year end was approximately \$102,000.

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2007

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. The budget for licenses and permit revenue was increased because of increased activity and a revised permit fee schedule. The budget for interest earnings was increased because of increased interest rates and increased available funds to be invested. The City Council budget was amended to allocate legal fees to the Police Department budget. The environmental budget was amended to reflect reduced activity. The Police Department budget was amended to reflect reduced payroll costs due to the loss of a police officer and to allocate legal fees from the City Council budget. The inspections budget was amended to reflect increased activity. The culture and recreation budget was amended to reflect reduced activity. The capital outlay budget was amended to reflect the purchase of a generator. The reserve for contingency budget was amended to reflect the net effect of all of the budget amendments. Overall, most departments stayed below budget. General Fund total expenditures of \$637,328 were below the amended budget amount of \$759,658.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the City had \$1,497,650 invested in a broad range of capital assets (net of accumulated depreciation), including land, buildings and police equipment. In addition, the City has invested in roads and related infrastructure within the City.

During the year the City added major capital assets as follows:

Generator	\$7,200
Police boat dock	1,680
Landscaping	1,750

Long-Term Debt

The City has no outstanding long-term debt.

Economic Factors and Next Year's Budgets and Rates

The City's 2008 budget was prepared using various economic factors as follows:

Revenues:

Property tax revenues are expected to increase by approximately \$24,000. This increase is primarily the result of a change in taxable value of property being sold or improved within the City. The millage rate for 2008 is unchanged at 9.9571.

State shared revenue is expected to be consistent with 2007 revenue amounts.

Interest income is expected to be consistent with 2007 revenue amounts.

Licenses and permits revenue is expected to be lower.

Expenditures:

Environmental expenditures are expected to be higher.

Fire protection reflects scheduled increases.

Repairs and maintenance expenditures are expected to be higher.

Police dispatch is expected to be higher.

Police salaries are expected to be higher.

Capital outlay is expected to be higher.

The projected General Fund's unreserved fund balance at June 30, 2008 is approximately \$727,000 which represents approximately 94% of the General Fund expenditures for the year ended June 30, 2008.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Lake Angelus, 45 Gallogly Road, Lake Angelus, Michigan 48326.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 852,936
Accrued interest receivable	10,300
Due from agency funds	410
Restricted assets - cash and cash equivalents	88,807
Capital assets (net)	<u>1,497,650</u>
Total assets	<u>\$ 2,445,103</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 7,364
Deposits payable	<u>16,854</u>
Total liabilities	\$ 24,218
Net assets:	
Invested in capital assets	1,497,650
Restricted for:	
Major and local roads	94,175
Environmental expenditures	88,807
Unrestricted	<u>745,253</u>
Total net assets	<u>\$ 2,420,885</u>
Total liabilities and net assets	<u>\$ 2,445,103</u>

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Primary government:				
Governmental activities:				
General government	\$ 163,417	\$	\$ 2,016	\$ (161,401)
Public safety.	490,801	24,201		(466,600)
Community and economic development	188			(188)
Public works	5,740		13,305	7,565
Recreation and culture	8,471			(8,471)
Total primary government	<u>\$ 668,617</u>	<u>\$ 24,201</u>	<u>\$ 15,321</u>	<u>\$ (629,095)</u>
General revenues:				
Property taxes.				646,761
State shared revenues				25,918
Interest income				38,092
Franchise fees.				7,008
Miscellaneous				1,563
Special items:				
Sale of fixed assets.				(1,929)
Consent judgement				<u>22,203</u>
Total general revenue and special items . .				<u>\$ 739,616</u>
Changes in net assets				\$ 110,521
Net assets - July 1, 2006				<u>2,310,364</u>
Net assets - June 30, 2007.				<u>\$ 2,420,885</u>

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	General	Major Road	Local Road	Improvement Revolving	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 656,784	\$ 67,090	\$ 27,085	\$ 101,977	\$ 852,936
Accrued interest receivable	10,300				10,300
Due from other funds	410				410
Restricted assets - cash and cash equivalents	83,807				83,807
Total assets	\$ 751,301	\$ 67,090	\$ 27,085	\$ 101,977	\$ 947,453
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,364	\$	\$	\$	\$ 7,364
Deposits payable	16,854				16,854
Due to other funds					
Total liabilities	\$ 24,218	\$	\$	\$	\$ 24,218
Fund balances:					
Reserved	83,807				83,807
Unreserved - undesignated	643,276	67,090	27,085	101,977	839,428
Total fund balances	\$ 727,083	\$ 67,090	\$ 27,085	\$ 101,977	\$ 923,235
Total liabilities and fund balances	\$ 751,301	\$ 67,090	\$ 27,085	\$ 101,977	\$ 947,453

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2007

Total governmental fund balances. \$ 923,235

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources, and are not reported in the governmental funds:

Governmental capital assets	\$1,796,037	
Less accumulated depreciation	<u>(298,387)</u>	<u>1,497,650</u>

Net assets of governmental activities. \$ 2,420,885

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	General	Major Road	Local Road	Improvement Revolving	Total Governmental
Revenues:					
Current taxes	\$ 646,761	\$	\$	\$	\$ 646,761
Licenses and permits	21,001				21,001
State sources	25,918	9,542	3,763		39,223
Local sources	2,016				2,016
Fines and forfeitures	3,200				3,200
Interest earnings	30,187	3,017	148	4,740	38,092
Other	34,624				34,624
Total revenues	\$ 763,707	\$ 12,559	\$ 3,911	\$ 4,740	\$ 784,917
Expenditures:					
General government	154,215				154,215
Public safety	467,903				467,903
Community and economic development	188				188
Public works		4,390	1,350		5,740
Recreation and culture	5,874				5,874
Capital outlay	9,648				9,648
Total expenditures	\$ 637,828	\$ 4,390	\$ 1,350	\$	\$ 643,568
Excess of revenues over expenditures	\$ 125,879	\$ 8,169	\$ 2,561	\$ 4,740	\$ 141,349
Other financing sources (uses):					
Operating transfers in			2,385		2,385
Operating transfers out		(2,385)			(2,385)
Total other financing sources (uses)	\$	\$ (2,385)	\$ 2,385	\$	\$
Excess of revenues and other sources over expenditures and other uses	\$ 125,879	\$ 5,784	\$ 4,946	\$ 4,740	\$ 141,349
Fund balance - July 1, 2006	601,204	61,306	22,139	97,237	781,886
Fund balance - June 30, 2007	\$ 727,083	\$ 67,090	\$ 27,085	\$ 101,977	\$ 923,235

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

Net change in fund balances - total governmental fund. \$ 141,349

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
In the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets	\$10,630	
Less current year depreciation	<u>(35,679)</u>	(25,049)

Governmental funds only report the disposal of assets to the
extent proceeds are received from the sale. In the Statement of
Activities, a gain or loss is reported for each disposal (5,779)

Change in net assets of governmental activities. \$ 110,521

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2007

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>410</u>
Total assets.	\$ <u><u>410</u></u>
LIABILITIES	
Due to other funds.	\$ <u>410</u>
Total liabilities	\$ <u><u>410</u></u>

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Lake Angelus conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Lake Angelus.

Reporting Entity

The City of Lake Angelus is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund accounts for the repairs, maintenance, and construction of all the City's major streets. The revenues consist of State-shared gasoline and weight tax collections under provisions of Act 51 of 1951 as amended.

Local Road Fund

The Local Road Fund accounts for the repairs, maintenance, and construction of all the City's local streets. The revenues consist of State-shared gasoline and weight tax collections under provisions of Act 51 of 1951 as amended.

Improvement Revolving Fund

The Improvement Revolving Fund is a special revenue fund used to account for money advanced from the General Fund in accordance with statutory provisions.

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Lake Angelus property taxes are levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the City of Lake Angelus as of the preceding December 31st.

The City is a Home Rule City with a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These property taxes are billed on July 1 of the following year. Property taxes are billed on July 1 and are recognized as revenues for the year beginning July 1. These taxes are due on August 31 and with the final collection date of February 14. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year. Delinquent personal property taxes are not recorded as taxes receivable, revenues are recognized when received.

The 2006 taxable valuation of the City of Lake Angelus total \$64,617,020, on which ad valorem taxes levied consisted of 9.9571 mills for the City of Lake Angelus operation purposes, raising \$643,397. This amount is recognized in the General Fund financial statements as property taxes.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit, is separately displayed on the balance sheet as "cash and cash equivalents".

Receivables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet.

All receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Restricted Assets

According to the provisions of the consent judgment the amount received is to be set aside for environmental expenditures.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets acquired or constructed prior to July 1, 2003 are not reported in the financial statements. There were no Infrastructure assets acquired or constructed during the year ended June 30, 2007.

Capital assets are reported net of accumulated depreciation in the statement of net assets.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and Improvements	5-50
Vehicles	5-12
Furniture and Equipment	5-20
(Police, Fire, Office)	

Compensated Absences (Sick Leave)

The City has no liability for compensation absences at June 30, 2007.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE B - Expenditures Over Budget

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Mayor has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the Council is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Treasurer can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1969 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Lake Angelus incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Environmental	\$ 17,500	\$ 21,491	\$ 3,991

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$917,096 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE C - Deposits and Investments (continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, held by the counterparty, or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City was invested only in bank investment pools that are 2a-7 and money market accounts.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has an investment policy that further limits its investment choices as detailed above. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Sweep account	\$ 323,000	A-1	Moody's

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Real property and improvements	\$ 410,814	\$	\$	\$ 410,814
Recreation - land	568,500			568,500
Recreation - wildlife refuge	226,200			226,200
Subtotal	\$1,205,514	\$	\$	\$1,205,514
Capital Assets Being Depreciated:				
City hall and furnishings	\$ 77,241	\$	\$	\$ 77,241
Dam control structure	36,300			36,300
Public safety	240,524	8,880	27,535	221,869
Real property and improvements	104,961	1,750		106,711
Recreation - buildings	91,546			91,546
Recreation - wildlife refuge	15,364			15,364
Recreation - tennis courts	41,493			41,493
Subtotal	\$ 607,429	\$ 10,630	\$ 27,535	\$ 590,524
Less Accumulated Depreciation:				
City hall and furnishings	\$ 55,659	\$ 4,142	\$	\$ 59,801
Dam control structure	18,432	726		19,158
Public safety	58,516	22,897	21,755	59,658
Real property and improvements	25,614	5,316		30,930
Recreation - buildings	72,401	2,388		74,789
Recreation - wildlife refuge	15,364			15,364
Recreation - tennis courts	38,478	210		38,688
Subtotal	\$ 284,464	\$ 35,679	\$ 21,755	\$ 298,388
Net capital assets being depreciated	\$ 322,965	\$ (25,049)	\$ 5,780	\$ 292,136
Net capital assets	\$1,528,479	\$ (25,049)	\$ 5,780	\$1,497,650

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE D - Capital Assets (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$10,184
Public Safety	22,897
Recreation and Culture	<u>2,598</u>
Total Governmental Activities	<u>\$35,679</u>

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2007:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Tax Collection Fund	<u>\$ 410</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Transfers (Out)

Transfers In	<u>Major Road Fund</u>
Local Road Fund	<u>\$ 2,385</u>

NOTE F - Restricted Assets

The balances of the restricted asset accounts are as follows:

General Fund:	
Environmental	<u>\$83,807</u>

NOTE G - Fire Protection Agreement:

Effective July 1, 2002 the City has entered into a fire protection agreement with Waterford Township. The services the Township shall provide for the City includes fire fighting and response, arson investigation and follow-up, EMS response, and dispatch services for fire, police and EMS calls. The term of this agreement is from July 1, 2002 to December 31, 2012. The annual payments shall be increased by an amount equal to an annual escalator of 5% per year.

As part of the agreement, the City has purchased for the Township a fire truck in the amount of \$356,079 along with fire equipment in the amount of \$55,220 during the year ended June 30, 2003. Title to the fire truck and equipment is in the name of the Township and therefore, is not reflected in the City's general fixed assets. The Township also maintains insurance coverage for the fire truck and equipment. At the termination of the fire protection agreement for any reason or if the agreement is not renewed at the end of the original ten year period provided for in the agreement, the Township shall assign title of the fire truck to the City. In respect to the fire equipment, the City may request one or more of the items of equipment, in which case the Township shall release to the City free of any claim of the Township.

NOTE H - Equity:

Fund balances have been reserved and designated for the following purposes:

	<u>General Fund</u>
Reserved:	
Environmental expenditures	<u>\$ 83,807</u>

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE I - Risk Management:

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for health and worker's compensation claims. The City participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

NOTE J - Litigation and Contingent Liabilities:

The City is a defendant in various litigations. The City attorney and management are of the opinion that any potential liability resulting from these cases, either can not be determined, is not material or should be within the insurance coverage of the City, therefore, is not reflected in the financial statements.

NOTE K - Building Permit Fund:

As per Public Act 245 of 1999 the building permit schedule of revenues and expenditures for the year is detailed below:

Revenues:	
Building permits (including electrical, heating and plumbing)	\$21,001
Expenditures:	
Inspections	<u>22,744</u>
Excess of revenues over (under) expenditures	\$(1,743)
Balance at July 1, 2006	<u>(2,262)</u>
Balance at June 30, 2007	<u>\$(4,005)</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes:				
Current taxes	\$ 643,890	\$ 643,890	\$ 643,745	\$ (145)
Administration fee	545	600	1,234	634
Interest and penalty			1,782	1,782
	<u>\$ 644,435</u>	<u>\$ 644,490</u>	<u>\$ 646,761</u>	<u>\$ 2,271</u>
Licenses and permits	7,000	20,000	21,001	1,001
State sources - state revenue sharing	25,742	25,742	25,918	176
Local sources - grant			2,016	2,016
Fines and forfeitures	2,200	2,500	3,200	700
Interest earnings	20,940	29,640	30,187	547
Other revenue:				
Cable TV	4,500	6,000	7,008	1,008
Consent judgments	22,000	22,000	22,203	203
Sale of fixed assets	2,000	3,750	3,850	100
Miscellaneous	4,286	5,536	1,563	(3,973)
Total other revenue	<u>\$ 32,786</u>	<u>\$ 37,286</u>	<u>\$ 34,624</u>	<u>\$ (2,662)</u>
Total revenues	<u>\$ 733,103</u>	<u>\$ 759,658</u>	<u>\$ 763,707</u>	<u>\$ 4,049</u>
Expenditures:				
General Government:				
City Council:				
Legal fees- general	26,000	17,000	17,493	(493)
Legal fees- court costs	4,000	500	903	197
Audit fee	6,000	6,000	5,785	215
Memberships	1,350	1,350	1,252	98
Council expenses	1,200	1,300	1,262	38
	<u>\$ 38,550</u>	<u>\$ 26,150</u>	<u>\$ 26,095</u>	<u>\$ 55</u>
Elections:				
Fees per dlem	2,400	2,700	1,327	1,373
Notices	900	1,200	1,124	76
	<u>\$ 3,300</u>	<u>\$ 3,900</u>	<u>\$ 2,451</u>	<u>\$ 1,449</u>
Assessor:				
Assessing fee	11,640	11,640	11,640	
Other fees	240	240	166	74
Office supplies	50	50		50
	<u>\$ 11,930</u>	<u>\$ 11,930</u>	<u>\$ 11,806</u>	<u>\$ 124</u>

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
General Government (continued):				
Clerk-Treasurer:				
Salaries	30,000	30,000	30,000	
Payroll taxes	2,300	2,300	2,295	5
Telephone	1,360	1,360	1,321	39
Postage, stationery and printing	1,200	1,200	1,060	140
Computer services	1,050	1,150	1,057	93
Legal notices	3,200	3,200	1,724	1,476
	<u>\$ 39,110</u>	<u>\$ 39,210</u>	<u>\$ 37,457</u>	<u>\$ 1,753</u>
City Hall and grounds:				
Repairs and maintenance	31,500	28,500	6,154	22,346
Utilities	1,900	1,900	1,825	75
	<u>\$ 33,400</u>	<u>\$ 30,400</u>	<u>\$ 7,979</u>	<u>\$ 22,421</u>
Other general services administration activities:				
Insurance- general	33,200	31,000	30,901	99
Fireworks display	8,000	8,000	8,000	
Street maintenance	4,636	4,636	480	4,156
City website	4,000	4,000	1,774	2,226
Publication	1,900	1,900		1,900
Environmental	35,000	17,500	21,491	(3,991)
Miscellaneous	27,667	90,397	5,781	84,616
	<u>\$ 114,403</u>	<u>\$ 157,433</u>	<u>\$ 68,427</u>	<u>\$ 89,006</u>
Total general government	<u>\$ 240,693</u>	<u>\$ 269,023</u>	<u>\$ 154,215</u>	<u>\$ 114,808</u>
Public safety:				
Police department:				
Salaries	198,500	190,550	192,665	(2,315)
Payroll taxes	19,000	18,050	18,557	(507)
Education and training	3,500	3,500	1,570	1,930
Uniforms	2,000	2,600	3,021	(421)
Auto expense and repair	4,200	6,700	5,748	952
Boat expense	700	700	267	433
Insurance	15,900	14,450	14,655	(205)
Gas and Oil	18,000	9,000	7,998	1,002
Telephone	2,400	2,400	2,286	114
Utilities	4,500	3,000	2,398	602
Dispatch	10,400	11,100	10,391	709
Legal fees		10,000	9,260	740
Security monitoring	800	800	640	160
Computer	1,200	1,000	640	360
Cleaning	2,000	2,500	2,315	185
Miscellaneous supplies	5,000	5,000	3,933	1,067
	<u>\$ 283,100</u>	<u>\$ 281,350</u>	<u>\$ 276,544</u>	<u>\$ 4,806</u>
Fire protection	169,110	168,610	168,595	15
Inspections	18,600	22,500	22,764	(264)
Total public safety	<u>\$ 470,810</u>	<u>\$ 472,460</u>	<u>\$ 467,903</u>	<u>\$ 4,557</u>
Community and economic development - planning commission		200	188	12

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Culture and recreation:				
Repairs and maintenance.	17,000	6,300	5,418	882
Miscellaneous.	1,100	675	456	219
Total culture and recreation	\$ 18,100	\$ 6,975	\$ 5,874	\$ 1,101
Capital outlay:				
City Hall and grounds.		7,500	7,200	300
Public safety.	3,000	3,000	2,448	552
Dam control structure.	500	500		500
Total capital outlay	\$ 3,500	\$ 11,000	\$ 9,648	\$ 1,352
Total expenditures	\$ 733,103	\$ 759,658	\$ 637,828	\$ 121,830
Excess of revenues over expenditures	\$ -	\$ -	\$ 125,879	\$ 125,879
Fund balance - July 1, 2006.	601,204	601,204	601,204	
Fund balance - July 30, 2007	\$ 601,204	\$ 601,204	\$ 727,083	\$ 125,879

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	\$ 10,096	\$ 10,096	\$ 9,542	\$ (554)
Interest earnings	900	900	3,017	2,117
Total revenues	\$ 10,996	\$ 10,996	\$ 12,559	\$ 1,563
Expenditures:				
Road maintenance	32,700	32,700	3,990	28,710
Administration	400	400	400	
Total expenditures	\$ 33,100	\$ 33,100	\$ 4,390	\$ 28,710
Excess of revenues over (under) expenditures . . .	\$ (22,104)	\$ (22,104)	\$ 8,169	\$ 30,273
Other financing uses - operating transfers out	2,524	2,524	2,385	139
Excess of revenues over (under) expenditures and other uses	\$ (24,628)	\$ (24,628)	\$ 5,784	\$ 30,134
Fund balance - July 1, 2006	61,306	61,306	61,306	
Fund balance - June 30, 2007	\$ 36,678	\$ 36,678	\$ 67,090	\$ 30,134

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKE ANGELOS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	\$ 3,364	\$ 3,364	\$ 3,763	\$ 399
Interest earnings	110	110	148	38
Total revenues	\$ 3,474	\$ 3,474	\$ 3,911	\$ 437
Expenditures:				
Road maintenance	5,598	5,598	950	4,648
Administration	400	400	400	
Total expenditures	\$ 5,998	\$ 5,998	\$ 1,350	\$ 4,648
Excess of revenues over (under) expenditures . . .	\$ (2,524)	\$ (2,524)	\$ 2,561	\$ 5,085
Other financing sources - operating transfers in	2,524	2,524	2,385	(139)
Excess of revenues and other sources over expenditures	\$	\$	\$ 4,946	\$ 4,946
Fund balance - July 1, 2006	22,139	22,139	22,139	
Fund balance - June 30, 2007	\$ 22,139	\$ 22,139	\$ 27,085	\$ 4,946

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CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
IMPROVEMENT REVOLVING FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Interest earnings.	\$	\$	\$ 4,740	\$ 4,740
Fund balance - July 1, 2006.	97,237	97,237	97,237	
Fund balance - June 30, 2007	\$ 97,237	\$ 97,237	\$ 101,977	\$ 4,740

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

JANZ & KNIGHT, P.L.C.

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50
YEARS
1954-2004

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ROBERT I. KNIGHT
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JOHN W. MACKEY
MICHAEL V. HIGGINS
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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2007

To the City Council and Management of
the City of Lake Angelus, Michigan

Supplementing our report on audit of accounts of the City of Lake Angelus for the year ended June 30, 2007 we offer the following general management comment and recommendation:

We noted that the budget was amended during the year in an attempt to comply with budget requirements. Despite the amendments, expenditures exceeded budget amounts in various activities. Listed below is a significant budget overrun.

<u>Fund</u>	<u>Activity</u>	<u>Total</u> <u>Appropriation</u>	<u>Amount of</u> <u>Expenditure</u>	<u>Variance</u>
General	Environmental	\$ 17,500	\$ 21,491	\$ 3,991

We recommend that the City continue to review the budget and make amendments as needed.

We would like to thank the Council for the opportunity to serve as auditors for the City, and to express our appreciation for the courtesy and cooperation extended to our staff during the course of our audit. We would be pleased to discuss the above item with the Council and to assist in the implementation of the recommendation.

This report is intended solely for the information and use of the City Council, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Very truly yours,

Janz & Knight, PLLC

Certified Public Accountants

J&K/srz